



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

DP/CPF

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

June 11, 2002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS
MANAGEMENT, ASN(RD&A)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT) ASA(ALT)
EXECUTIVE DIRECTOR, LOGISTICS POLICY AND
ACQUISITION MANAGEMENT, (DLA)

SUBJECT: Contract Payment

As a result of some recent difficulties in processing payments to contractors, I wanted to take this opportunity to remind you that the way we structure contract line items must be consistent with the way the contractor will ship and bill for the items, or payment delays may result. For example, if a contract line item indicates the contractor will deliver an end item, and the contractor actually ships and bills at the component level, receipt, acceptance, and payment may be delayed. In this situation, contract subline items should be separately identified and priced in accordance with DFARS 204.7104-1(b)(v).

Another problem arises if we use "lot" as a unit of issue because the contractor will not be able to be paid for partial shipments. Receiving activities may also have difficulties if the "lot" consists of various components that are shipped separately, making it difficult for them to relate the items they are receiving with what is called out in the contract. This may result in delays in processing receiving reports, again resulting in delays in acceptance and payment. Another problem is referring to the contractor's proposal to provide the description of the requirement. The receiving, accepting, and paying activities do not have access to information that is not included in the contract.

We need to be particularly careful when dealing with commercial suppliers who may not understand our business processes. We must ensure that our contracts are written clearly with all the information necessary for receipt, acceptance, and payment (including the military address for delivery) so that commercial suppliers receive timely payment and are more likely to continue to do business with the Department. Since the



DoD EMALL recently added some GSA Schedule items, contracting officers may want to see if their requirements are available on the EMALL. When dealing with commercial companies, this may be more effective than issuing a traditional purchase order.

As we move to the End-To-End "To Be" Procurement Process, it is essential that we have consistent information flowing throughout the process. We cannot afford to use scarce human resources to manually reconcile inconsistent information, or to search for missing information. The information going into our automated systems must be complete and accurate in order for contractors to be paid correctly.

My staff point of contact for this action is Ted Godlewski. He may be contacted by phone at (703) 695-6322, or via email at Thaddeus.Godlewski@osd.mil should there be any questions regarding this matter.

A handwritten signature in black ink, appearing to read "Deidre A. Lee". The signature is fluid and cursive, with a large initial "D" and "A".

Deidre A. Lee
Director, Defense Procurement